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## United States Senate

COMMITTEE ON THE BUDGET

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May 7, 2018

The Honorable Mick Mulvaney  
Director  
Office of Management and Budget  
725 17th Street, NW  
Washington, DC 20503

Dear Director Mulvaney:

I commend you and your team at the Office of Management and Budget (OMB) for your reform efforts to date, but much work remains to improve the government's financial management. Notably, more than 20 years after the federal government began preparing consolidated financial statements, three major impediments continue to prevent the Government Accountability Office (GAO) from rendering an opinion on those statements:

- financial management deficiencies at the Department of Defense that prevent an audit of their financial statements;
- the inability to adequately account for and reconcile intragovernmental activity and balances between federal entities; and
- ineffective processes for preparing consolidated financial statements.

With the fiscal challenges we face, it is important for OMB to actively oversee efforts to resolve these problems. As you know, OMB's management responsibilities include oversight of federal agencies' financial management. Moreover, 31 U.S. Code section 3512 (the Chief Financial Officers Act of 1990, or CFO Act) requires that OMB annually develop an executive branch financial management status report and a government-wide five-year financial management plan.

The CFO Act also calls for OMB to share this information with the appropriate congressional committees, as well as with the public via its website. It is therefore troubling that the most recent available such report, titled the *Federal Financial Management Report*, was published in 2009 and did not provide a cost estimate for government-wide improvements as the five-year financial management plan requires.

Some executive branch financial status reporting information is included in *The Financial Report of the U.S. Government* (or *U.S. Financial Report*), issued annually by the Department of

the Treasury. The *U.S. Financial Report* does not, however, meet the CFO Act's reporting requirement to provide a government-wide five-year financial management plan that:

- estimates the plan implementation costs;
- describes the existing financial management structure and any changes needed to establish an integrated system;
- includes a strategy for developing and integrating individual agency accounting, financial information, and other financial management systems;
- proposes to eliminate duplicative and unnecessary systems, including by encouraging agencies to share adequately performing systems; and
- establishes milestones for equipment acquisitions and other actions necessary to implement the plan.

A financial management plan is essential to develop a comprehensive approach with milestones and estimated implementation costs. Without such a plan, OMB's oversight efforts to improve government-wide financial management may not be strategic, effective, or cost-effective. Given the significant costs of improving federal agencies' financial management, underscored by the Pentagon's spending more than \$900 million on audit-related programs in fiscal year 2018 alone, this five-year plan must be updated annually and reported to Congress.

I understand from OMB officials that the statutorily required executive branch financial management status reports and government-wide five-year financial management plans were not completed by OMB from 2010 through 2017. Having a viable government-wide financial management plan in place is an important step toward ensuring responsible stewardship of taxpayer dollars. Please provide a detailed update on your agency's ongoing efforts to produce and publish the 2018 report and five-year management plan with a cost estimate and the other requirements as required by 31 U.S. Code §3512 by June 15, 2018. In addition, please provide the Senate Budget Committee with copies of future reports.

Thank you in advance for your attention to this matter. If you have any questions, please have your staff contact Phyllis Anderson of my Budget Committee staff at (202) 224-0642.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael B. Enzi". The signature is stylized with a large, bold "M" and "E".

Michael B. Enzi  
Chairman